



ARNOLD SCHWARZENEGGER, GOVERNOR

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November 2, 2005

Mr. Mark Leary, Executive Director  
California Integrated Waste Management Board  
1001 I Street, MS-1  
P.O. Box 4025  
Sacramento, CA 95812-4025

Dear Mr. Leary:

**Final Audit Report—Sports Car Club of America, Grant Agreements UNP4-00-3310 and UNP5-02-13**

Enclosed is the final report on our audit of the Sports Car Club of America's (Grantee) Used Oil Recycling grant agreements UNP4-00-3310 and UNP5-02-13 for the reporting periods November 1, 2000 through April 30, 2003 and May 1, 2003 through April 30, 2005, respectively. The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board). The audit included a review of receipts, expenditures, internal controls, and compliance with certain grant agreement provisions.

On the *Schedule of Claimed and Audited Expenditures* for grant agreement UNP5-02-13, the draft report did not reflect a \$43,205 payment to the Grantee. This final report reflects a decrease in the audited retention amount to \$27,527 and an increase in the audited revenue amount to \$247,747. The revisions are reflected throughout this final report.

The enclosed final report is for your information and use. We have also sent a copy of this report to the Grantee. In accordance with Finance's policy of increased transparency, this report will be placed on the Finance website.

If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Janet I. Rosman

Janet I. Rosman, Assistant Chief  
Office of State Audits and Evaluations

Enclosure

cc: on following page

cc: Mr. R.J. Gordy, Regional Executive, Sports Car Club of America, San Francisco Region  
Mr. David Vodden, CEO, Sports Car Club of America, San Francisco Region  
Mr. Tom Estes, Deputy Director, Administration and Finance Division, California Integrated  
Waste Management Board  
Ms. Helen Carriker, Branch Manager, Administration and Finance Division, California  
Integrated Waste Management Board  
Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division,  
California Integrated Waste Management Board  
Ms. Bonnie Cornwall, Supervisor, Used Oil and Hazardous Waste Division, California  
Integrated Waste Management Board

Sports Car Club of America, San Francisco Region  
Used Oil Non-Profit Grants  
Grants UNP4-00-3310 and UNP5-02-13  
For the Period November 1, 2000  
Through April 30, 2005

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

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The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded two grants to the Sports Car Club of America (Grantee) for the Grantee to participate in the Used Oil Non-Profit Grant Program. The grants were in the amounts of \$199,860 (UNP4-00-3310) covering the period November 1, 2000 through April 30, 2003 and \$275,777 (UNP5-02-13) covering the period May 1, 2003 through April 30, 2005. The grant agreements were funded by the Used Oil Recycling Fund.

The objective of this audit was to determine the Grantee's fiscal compliance with the aforementioned grants. The audit also assessed the Grantee's compliance with applicable laws, regulations, and grant agreement requirements, as well as a review of internal controls. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the Grantee.

This report is intended for the information and use of Board and Grantee management. However, the report is a matter of public record and its distribution is not limited.

## **STAFF:**

Frances Parmelee, CPA  
Manager

Rick Cervantes, CPA  
Supervisor

Marc Dermenjian

## INDEPENDENT AUDITOR'S REPORT

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Mr. Mark Leary, Executive Director  
California Integrated Waste Management Board  
1001 I Street, MS-1  
P.O. Box 4025  
Sacramento, CA 95814-4025

We have audited the accompanying Sports Car Club of America's (Grantee) *Statements of Revenue and Expenditures* (Statements) for grant agreements UNP4-00-3310 and UNP5-02-13, for the periods November 1, 2000 through April 30, 2003, and May 1, 2003 through April 30, 2005, respectively, executed between the Grantee and the California Integrated Waste Management Board (Board). These Statements were prepared from the Grantee's records and are the responsibility of Grantee management. Our responsibility is to express an opinion on the Statements based on our audit.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statements were prepared, as described in Note 4, for the purpose of determining the Grantee's fiscal compliance with the aforementioned grant agreements. The Statements are not intended to be a presentation of the Grantee's total revenue and expenditures.

As discussed in the accompanying schedule of *Findings and Recommendations*, we identified questioned costs of \$262,455, which represent 56 percent of the total grant funds claimed for reimbursement. The total disallowed expenditures are comprised of \$105,245 and \$157,210 for UNP4-00-3310 and UNP5-02-13, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the Statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the revenue and expenditures for grant agreements UNP4-00-3310 and UNP5-02-13 for the periods November 1, 2000 through April 30, 2003 and May 1, 2003 through April 30, 2005, respectively.

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## Compliance

As part of obtaining reasonable assurance about whether the Statements are free of material misstatement, we performed tests of the Grantee's compliance with certain provisions of laws, regulations, and the grant agreement, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. The instances of noncompliance with the grant agreements requirements are described in the accompanying schedule of *Findings and Recommendations*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grantee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Grantee's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Statements. The reportable condition is described in the accompanying schedule of *Findings and Recommendations*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Finding 1 in the accompanying schedule of *Findings and Recommendations* to be a material weakness.

This report is intended solely for the information and use of Board and Grantee management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by Janet I. Rosman

Janet I. Rosman, CPA  
Assistant Chief, Office of State Audits and Evaluations  
(916) 322-2985

June 23, 2005

# STATEMENT OF REVENUE AND EXPENDITURES

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Sports Car Club of America  
Used Oil Non-Profit Grant UNP4-00-3310  
For the Period November 1, 2000 through April 30, 2003

<b>Revenue:</b>	<b>Claimed and Approved by <u>the Board</u></b>
State Grant	\$ 197,289
<b>Expenditures:</b>	
Personnel	38,745
Professional	96,781
Sponsorships	4,000
Publicity/Education	57,463
Other	<u>300</u>
Total Expenditures	<u>197,289</u>
<b>Excess of Revenue over Expenditures</b>	<b><u>\$ 0</u></b>

The accompanying notes are an integral part of this statement.



# STATEMENT OF REVENUE AND EXPENDITURES

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**Sports Car Club of America  
Used Oil Non-Profit Grant UNP5-02-13  
For the Period May 1, 2003 through April 30, 2005**

<b>Revenue:</b>	<b>Claimed and Approved by <u>the Board</u></b>
State Grant	\$ 247,747
<b>Expenditures:</b>	
Publicity/Education	109,999
Personnel	<u>165,275</u>
Total Expenditures	275,274
Less Retention (Note 5)	<u>27,527</u>
Net Reimbursed Expenditures	<u>247,747</u>
<b>Excess of Revenue over Expenditures</b>	<b><u>\$ 0</u></b>

The accompanying notes are an integral part of this statement.

# SCHEDULE OF CLAIMED AND AUDITED EXPENDITURES

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**Sports Car Club of America  
Used Oil Non-Profit Grant UNP4-00-3310  
For the Period November 1, 2000 through April 30, 2003**

<b>Revenue:</b>	<b><u>Claimed</u></b>	<b><u>Audited</u></b>	<b><u>Questioned</u></b>
State Grant	\$ 197,289	\$ 197,289	\$ 0
<b>Expenditures:</b>			
Personnel	38,745	0	38,745
Professional	96,781	84,281	12,500
Sponsorships	4,000	0	4,000
Publicity/Education	57,463	7,463	50,000
Other	<u>300</u>	<u>300</u>	<u>0</u>
Total Expenditures	<u>197,289</u>	<u>92,044</u>	<u>105,245</u>
<b>Excess of Revenue over Expenditures</b>	<b><u>\$ 0</u></b>	<b><u>\$ 105,245</u></b>	<b><u>\$ 105,245</u></b>

The accompanying notes are an integral part of this schedule.

# SCHEDULE OF CLAIMED AND AUDITED EXPENDITURES

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**Sports Car Club of America  
Used Oil Non-Profit Grant UNP5-02-13  
For the Period May 1, 2003 through April 30, 2005**

<b>Revenue:</b>	<b><u>Claimed</u></b>	<b><u>Audited</u></b>	<b><u>Questioned</u></b>
State Grant	\$ 247,747	\$ 247,747	\$ 0
<b>Expenditures:</b>			
Publicity/Education	109,999	65,999	44,000
Personnel	<u>165,275</u>	<u>52,065</u>	<u>113,210</u>
Total Expenditures	275,274	118,064	157,210
Less Retention (Note 5)	<u>27,527</u>	<u>27,527</u>	<u>0</u>
Net Reimbursed Expenditures	<u>247,747</u>	<u>90,537</u>	<u>157,210</u>
<b>Excess of Revenue over Expenditures</b>	<b><u>\$ 0</u></b>	<b><u>\$ 157,210</u></b>	<b><u>\$ 157,210</u></b>

The accompanying notes are an integral part of this schedule.

# NOTES TO THE STATEMENTS OF REVENUE AND EXPENDITURES

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**Sports Car Club of America  
Used Oil Non-Profit Grants UNP4-00-3310 and UNP5-02-13  
For the Period November 1, 2000 through April 30, 2005**

**NOTE 1      Description of the Reporting Entity**

Founded in 1944 by amateur motor sports enthusiasts, the Sports Car Club of America (Grantee) today has over 65,000 members in 109 regional chapters. The nonprofit organization sanctions more than 2,000 amateur and professional motor sports events per year. The Grantee's San Francisco Region had general responsibility for these grants. *[Source: Grant Application]*

**NOTE 2      Program Information**

The California Integrated Waste Management Board (Board) administers the California Oil Recycling Enhancement Act, which includes the disbursement of Used Oil Nonprofit Grants (UNP) from the Used Oil Recycling Fund.

The Legislature enacted the California Oil Recycling Enhancement Act (Public Resources Code Sections 48600-48691) to reduce the illegal disposal of used oil, and to recycle and reclaim used oil to the greatest extent possible, in order to recover valuable natural resources and to avoid damage to the environment and threats to public health. The intent of the grant funds is to encourage nonprofits to expand, implement, and/or improve their used oil collection opportunities.

**NOTE 3      Descriptions of Grant Contracts**

The Grantee received two grants, a \$199,860 grant award (grant agreement UNP4-00-3310) and a \$275,777 grant award (grant agreement UNP5-02-13), to promote recycling and use of remanufactured oils at the "Race to Recycle Oil Racing Series" at various race facilities throughout California. The grant terms covered the periods November 1, 2000 to April 30, 2003 (UNP4-00-3310) and May 1, 2003 through April 30, 2005 (UNP5-02-13).

**NOTE 4      Summary of Significant Accounting Policies**

The Statements presented in this report were prepared from the Grantee's accounts and financial transactions. The Statements summarize revenue and expenditures recorded by the Grantee during the reporting periods referenced in Note 3.

The Statements summarize the Grantee's transactions pertaining to grant agreements UNP4-00-3310 and UNP5-02-13, and are not intended to represent all of the Grantee's financial activities.

**NOTE 5      UNP5-02-13 Retention**

The Board retained \$27,527 in reimbursements to the Grantee pending completion of this audit.

## FINDINGS AND RECOMMENDATIONS

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During our audit of grant agreements UNP4-00-3310 (UNP4) and UNP5-02-13 (UNP5), we identified reportable internal control and compliance issues requiring corrective action. The following recommendations, if implemented, will improve the Grantee's fiscal control over grant funds and protect Grantee and state interests in the event of disputes. Finding 1 is a material weakness.

### **FINDING 1                      Inadequate Fiscal Controls and Questioned Costs**

Condition:                      The grant payment requests submitted to the Board did not agree with the expenditures listed in the Grantee's general ledger account. Specifically, the general ledger did not reflect \$105,245 and \$157,210 in claimed expenditures for UNP4 and UNP5, respectively. Because claimed expenditures were greater than actual expenditures reflected on the Grantee's general ledger, a profit was made. For those disallowed expenditures, we noted the following issues:

- The Grantee was unable to provide documentation (vendor invoices and cleared checks) to support claimed sponsorship fees totaling \$54,000 and \$112,000 for UNP4 and UNP5, respectively. For UNP5, the Grantee claimed \$68,000 of sponsorship fees under the category Personnel.
- The Grantee was unable to provide documentation (cleared checks, payroll register, and timesheets) to support claimed salaries totaling \$38,745 and \$45,210 for UNP4 and UNP5, respectively.
- A \$12,500 trailer charged to UNP4 was used to sell Grantee merchandise. The trailer was approved for purchase by the Board for use as an Oil Recycling Informational Kiosk.

In addition, the Grantee paid a commission to its CEO based on 10 percent of each grant reimbursement check less amounts invoiced from vendors. Although these commission amounts were not reported in the grant payment requests submitted to the Board, grant funds were used to pay the commission. The CEO was paid the commission through his consulting firm. In addition to his consulting firm, the CEO is also the CEO of Thunderhill Raceway Park, a for-profit subsidiary of the Grantee. We are uncertain whether there is an adequate arms length relationship for the three entities with respect to transactions related to the grants.

Lastly, the Grantee was awarded UNP5 to provide Statewide Outreach. This included 12 events in Southern California, as well as various events in Northern California. The Grantee did not provide adequate documentation to satisfy us that outreach efforts were performed at these events.

Criteria: The grants require the Grantee to maintain records and supporting documentation pertaining to the performance of the agreements for a minimum of three years after final payment. See Used Oil Nonprofit Grant Exhibit A, Section 10 for UNP4 and Section 5 for UNP5.

The Used Oil Nonprofit Grant Procedures and Requirements specifically state that profit or markup by the Grantee is prohibited.

The Used Oil Nonprofit Grant Procedures and Requirements specifically state that all expenditures must be incurred within the grant term. Moreover, the grantee certifies on the grant payment request that expenditure information is correct and grant funds will be expended in accordance with the grant agreement.

Recommendations: Remit \$234,928 to the Board for reimbursed ineligible expenditures. This amount is comprised of questioned costs offset by the retention (\$105,245 + \$157,210 - \$27,527). The Board will make the final determination and resolution of the questioned costs.

Ensure that all future claimed costs are in compliance with the grant agreements and adequately supported.

## **FINDING 2                      Inadequate Separation of Duties**

Condition: We found that accounting duties are not sufficiently segregated to protect grant funds from errors or irregularities. Specifically, the Grantee's Chief Executive Officer (CEO) performs a number of incompatible duties, such as preparing grant payment requests submitted to the Board, depositing receipts, authorizing disbursements, signing checks, and accessing to the blank check stock.

Criteria: An adequate system of internal control requires separation of duties for receipts and disbursements.

Recommendation: We recognize that a complete separation of duties is not possible in small organizations. However, the Grantee's Board of Directors should review deposits, disbursements, and bank reconciliations to minimize risks.

## GRANTEE'S RESPONSE

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Sports Car Club of America  
San Francisco Region  
PO Box 966  
Willows, CA 95988

October 17, 2005

Department of Finance  
Office of State Audits and Evaluations  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814

Attention: Samuel E. Hull, Chief

Subject: Response to Draft Audit Report --- Sports Car Club of America, Grant  
Agreements UNP4-00-3310 and UNP5-02-13

Dear Mr. Hull

Attached is our response to the referenced draft audit sent to RJ Gordy, Regional Executive of the San Francisco Region, SCCA. I am the assistant Regional Executive and am forwarding on to you our response on behalf of Mr. Gordy and the Region.

Insofar as the draft audit only presents financial findings on the propriety of three contractual issues we have limited our response to arguing that the auditor's findings are not correct. No additional accounting data is being submitted at this time as the crux of the disagreement is one of deciding what is contractually correct relative to sponsorship, use of employees of a wholly owned subsidiary, and the dual use of a kiosk.

It is our understanding that following the issuance of a final version of the audit report we will have the opportunity to discuss these issues with the appropriate individuals representing the CIWMB.

Please direct any questions about our response or other relevant matters to me. My cell phone number is 650 867-7248 and my home address is 620 Hobart St, Menlo Park, CA 94025.

Sincerely,

Original signed by Peter Nosler

Peter Nosler  
Assistant Regional Executive,  
San Francisco Region, SCCA

Cc: RJ Gordy SFRSCCA  
Pete Whitman D&W

## **RESPONSE**

Draft Audit Report of June 2005

October 18, 2005

Sports Car Club of America Grant Agreements

UNP4-00-3310 and UNP5-02-13

This response is written to comply with the indicated response procedures following our receipt of a draft audit report outlining negative findings in our performance under the two referenced grants.

Over six years ago Ross-Campbell brought to the attention of the San Francisco Region of the Sports Car Club of America the CIWMB grant program thinking that the extensive motor racing program that we produce every year would be a natural program where the state's oil recycling campaign could be successfully promoted and advanced. Our first submission based on event sponsorship, member education, and outreach was accepted by the CIWMB on November 1998. Our performance of that grant was praised by the CIWMB administrators as well as our own members as a highly effective program advancing the goals and requirements of the CIWMB's mission. Our second as well as our third grant submissions were accepted, each time with praise for the manner and effectiveness with which we pursued our work plan in the promotion of oil recycling.

Now, at the conclusion of six years of highly praised work to have key elements of our program disallowed is frustrating in the extreme. Throughout each grant we have worked closely with CIWMB administrators, periodic progress reports and pay requests were carefully reviewed, and the features of our program inspected first hand. Not once has the propriety of sponsorship or the employment costs of our administrators or even our kiosk been questioned as to our full compliance with the grant requirements.

### **Sponsorship**

In both grants "Event Sponsorship" or "Exclusive name title rights" constitute 50% and 60% respectively of the non administrative budget amounts of each of the grants. The CIWMB recognized that each racing event attracted a daily average of some 300 competitors with several times that number of crew and spectators, all motor racing enthusiasts, as a powerful demographic able to significantly influence oil recycling. The market acceptance of naming rights in the motor racing community is well understood. "Infineon" corporation pays \$2 million per year for the naming rights of Sears Point raceway. Numerous other examples support the decision of CIWMB to pay SCCA \$1000 per day under UNP4 and \$2000 per day under UNP5.

Both grant contracts fully and properly incorporate the "sponsorship" program. The contractually required Budget and Work Statement for both grants clearly reference the sponsorship program. The methodology of setting a value on the

concept of sponsorship was given considerable thought in each grant. The earned value per each day of an event was deemed most appropriate and the actual amount due for each day's sponsorship was evaluated with care. The methodology (a daily amount) and the actual amount (\$1000 in UNP4 and \$2000 in UNP5) were accepted by CIWMB.

It is noteworthy to mention the actual costs that the SCCA incurs in putting on these racing events. On average the costs of putting on a racing event exceed some \$30,000 per day. Data supporting the cost of each racing event were readily available to the auditors for all events covered by the two grants. About three fourths of this cost is covered by competitor entry fees with the balance made up of member dues and other fund raising programs. We are the premier amateur racing organization and we consistently draw very large numbers of competitors which is critical to any sponsorship program. However, we are constantly faced with the sensitivity of higher fees resulting in lower attendance and higher quality programs driving up costs.

Recognizing the nature of our events as a significant asset is not a new concept. We were constantly looking for and finding organizations that saw the value in "naming rights" sponsorship. Now that the grant program is over we are again looking for ongoing sponsorship. Our next event will be sponsored. Obviously if the grant program did not utilize this asset we would have pursued similar sponsorship from other organizations.

### **Salary Expenses**

Three individuals make up our program administration team: David Vodden as Project Director, Terry Taylor as Program Manager, and Blyth Bonds filling an administration role. Both Vodden and Taylor are employees of Thunderhill Raceway Park (TH) a wholly owned subsidiary of the San Francisco Region of The Sports Car Club of America (SFRSCCA). Bonds is an independent accounting contractor employed by SFRSCCA.

All costs associated with the employment and salary payment to Vodden and Taylor were available to the auditors. Given the complexity of accounting for all the associated costs (office, phone, power, insurance, training, etc) of their employment we proposed, and CIWMB accepted, hourly rates for these two employees. This procedure was initiated in the first grant and followed carefully in the two subject grants. Settling on a carefully evaluated hourly rate is a common industry practice that avoids the lengthy and often contentious evaluation of what constitutes the real cost of an employee. Were there any questions as to the appropriateness of this approach or any question as to the appropriateness of the hourly amount it should have been addressed prior to the execution of our contract.

It is most noteworthy that the SFRSCCA could have merely listed TH as a subcontractor just as we did for Ross-Campbell and the administrative costs

would not have been challenged. In our first grant this issue was addressed and as TH is a wholly owned subsidiary of SFRSCCA we all concluded such a step was unnecessary. Furthermore, had we chosen this approach someone unaware that TH is a wholly owned subsidiary could have, upon learning of the relationship, questioned the propriety of such an arrangement. The approach we took is open and easily understood.

Blythe Bonds as an independent individual providing accounting services to the SFRSCCA the amounts paid to her were available to the auditors. However, the total cost of her services is also difficult to precisely define beyond the monthly fee paid to her. In this regard we offered an hourly rate and CIWMB accepted. Again this procedure was proposed in the first grant and carefully followed in the two subject grants.

### **KIOSK**

In pursuing the work program for UNP4 some changes became necessary. Utilizing additional budget that then became available SFRSCCA proposed a change that would include the purchase of a "kiosk" for the purpose of distributing oil recycling information, provide large notable oil recycling advertising space, and most importantly provide a central point where knowledgeable oil recycling information could be disseminated. This was reviewed and approved by CIWMB. While CIWMB administration was well aware that we also sold other merchandise from this kiosk we were remiss in not thoroughly documenting this situation. While the purposes of the grant program were fully met with the kiosk we would agree that some reduction of the \$12,500 cost would be appropriate given our failure to fully disclose the sales program from the onset.

### **ADDITIONAL FINDINGS**

Several additional issues were noted in the draft audit that warrant comment. We have maintained a long standing program that provides David Vodden a bonus for developing additional sources of revenue. The sponsorship portion of the CIWMB grants is such an item and he was paid from our general operating fund the indicated bonuses.

Oversight of Thunderhill is provided by a large board that is independent of the SFRSCCA. We believe we maintain a proper arms length relationship with our subsidiary. As you point out TH has a small administrative staff and the SFRSCCA is still smaller requiring each employee perform numerous duties. While we rely on the two boards of each organization to provide proper oversight we welcome any specific insights on how we can provide better management.

UNP5 requires that sponsorship and other work plan activities be carried out in Southern California. While schedule changes altered somewhat the initial outreach program, with CIWMB's full authorization we carried out a revised plan that met the statewide grant requirements.

## **CONCLUSION**

It is difficult to find words of sufficient strength to convey our certainty that the full amount of sponsorship funds and the entire amount of administrative staff billed are due the SFRSCCA. The concept of sponsorship is easily understood and our contract is most clear in its incorporation. Similarly the costs due us for our administrative staff are equally clear. The circumstance of TH being a wholly owned subsidiary of the SFRSCCA in no way diminishes the proper costs we expended administering both grants. As for the kiosk expense we have indicated a willingness to strike a compromise based only on our communication shortfall and in no way because of any failure to perform the requirements of the grant.

Submitted by Peter Nosler, Assistant Regional Executive, San Francisco Region  
Sports Car Club of America

## EVALUATION OF RESPONSE

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The Sports Car Club of America's (SCCA) elected not to provide additional accounting data to support the questioned costs. Therefore, we did not revise our findings. The Board will make the final determination and resolution of the questioned costs.